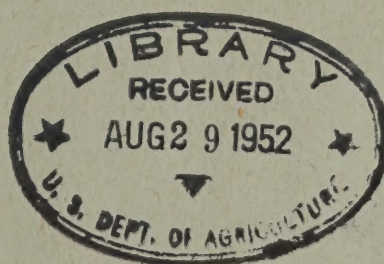


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it's a must for balanced co-op management

Co-op.
MEMBERSHIP

ADMINISTRATION



Balanced co-op management requires not only good technical and business administration, but also good membership administration. What is it? For the why, the what and the how look inside.

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2 U.S. UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

June 9, 1952

3 CO-OP MEMBERSHIP ADMINISTRATION
A Factor Essential to Co-op Success.

A commercial utility, to be successful, must have good business administration. That means making sure of (a) adequate facilities, (b) sound technical operation, (c) adequate patronage and revenue, (d) adequate business records, (e) sound financial control and (f) good public relations.

All of the factors of good business administration are also essential to an electric co-op's success.

But, in addition, the co-op must have good membership administration if it is to function effectively as a member owned and controlled service organization.

An informed and interested membership is no substitute for good business administration. But neither does good business administration alone make a good co-op. It overlooks the co-op's greatest potential asset -- the people who use it and own it.

Whether the board and manager realize it or not, the ultimate fate of any co-op is in the hands of its members.

An uninformed membership is a prey to rumors and can upset the best-intentioned management plans. When uninformed members are stirred up by persons critical of the board or management, whether rightly or wrongly, the incumbent directors and manager can be ousted regardless of how secure they may have felt in their positions. It has happened in the REA program as well as in other co-ops.

An apathetic membership is unsympathetic to the efforts of co-op management to operate efficiently. It thinks of itself as "customers" with no responsibility to the co-op enterprise. It falls easily for power company propaganda to sell the co-op out, especially if lower rates and better service are promised. To offset such propaganda effectively by concentrated effort on short notice, as was the case with the Craig-Botetourt Co-op of Virginia and a few other co-ops, is too much to be expected if such attempts become more frequent. And indications are that they will, unless they are forestalled or foredoomed by co-op management building a sound foundation of member understanding and support, in addition to good business management.

ADVANTAGES AND BENEFITS OF GOOD MEMBERSHIP ADMINISTRATION

What are the advantages and benefits of good membership administration? The resulting good will of an informed and interested membership will benefit the co-op in many ways.

1. The board can count on widespread member support not only while everything goes well but especially in times of trouble or crisis. Having been kept informed of what the board is doing and why, the members will be in a better position to understand and appreciate the fine work the directors are doing for the members' benefit. No false rumors can grow and spread to hurt the co-op.

2. The manager will find the work of himself and his staff made easier and more effective. Informed members comply willingly with all reasonable operating rules. They will respond gladly to any management requests for cooperation on such matters as preventive maintenance, prompt outage reporting, meter reading and billing, prompt payment of bills, scheduling of power use when needed, helping in acquainting their neighbors with productive and profitable power uses.

3. The co-op staff, aware of the members' good will toward the co-op, will take more pride in doing their work competently and courteously, thereby creating more good will for the co-op management among the members.

4. The members will receive tangible benefits from the closer cooperation between them and the co-op management, in terms of better and lower cost service, faster-growing member equities, confidence in the reliability of information given by the co-op, and a feeling of personal pride as owners of the co-op business.

5. The community, influenced by the good opinion of the co-op members about their co-op, will be more receptive to giving the co-op its whole-hearted endorsement and support.

BASIC ELEMENTS.

What are the elements of good membership administration?

1. A board that recognizes the importance of informing the members about the co-op's affairs and of encouraging them to exercise their rights and responsibilities as owners of the co-op business.

2. An organizational structure (bylaws) that promotes democratic member control and assures to each member his rightful share in the ownership of the co-op as the REA loan is retired.

3. A manager who is in sympathy with co-op principles and has the will and ability to translate them into practice.

4. A co-op staff that understands the co-op nature of the organization and is willing to promote such understanding among the members and the community.

INDICATORS.

What are the signs of good membership administration? It exists to the extent an honest "yes" answer can be given to questions like the following:

1. Do more than just a few members know their rights and responsibilities as members of the co-op?

2. Do the members generally have a sense of ownership in their co-op instead of thinking of themselves merely as customers of a company run by others?

3. Does the co-op keep the members currently informed on what the board and management are doing and on the problems and progress of the co-op?

4. Do the members readily respond to requests from the management for cooperation in making management policies and procedures effective?

5. Are the members interested in putting power to use wherever practical instead of complaining about power cost?

6. Are annual meetings attended in person by a substantial and representative number of members?
7. Has the democratic process been truly observed in the nomination and election of directors?
8. Do members have a real opportunity to ask questions and get full answers at the annual meeting?
9. In a large co-op, is effective use made of a districting plan to promote member understanding and participation in the outlying areas?
10. Does co-op management draw on the general membership for committee work on such activities as co-op and power use education, annual and community meetings, community relations?
11. If the answer to 9 is yes, is the response from the membership effective and not half-hearted?
12. Does the co-op enjoy the respect and support of the community leaders and groups in the area in which it operates?

WHAT.

What should be the board's and manager's concern for developing a good membership administration? They can see to it that:

1. The co-op's bylaws conform with cooperative principles and provide for real democracy in member affairs.
2. All members (old and new) have up-to-date copies of the bylaws.
3. Members are helped to understand their rights as well as their responsibilities.
4. The value of co-op membership and member ownership is made clear to all members.
5. There is an effective plan for assigning member equities in the annual net margin of the co-op.
6. Members are kept informed of what board and management do, and why.
7. Members are told how they can help the co-op management, and machinery is set up for enabling them to do so.
8. Members are provided with reliable power use information, so that they will make the best possible use of co-op electricity.
9. Annual meetings are well planned, publicized and conducted, so that the members will find them worth while.
10. Full reports on the co-op business are made to the members at the annual meeting.
11. Nomination and election of directors is really democratic, giving the members a real choice of candidates.

12. The co-op staff is well informed about the co-op and is helpful and courteous in its contacts with the members.

HOW.

How can a co-op best carry out these objectives?

1. As a prerequisite, the board and manager need to understand fully their responsibilities for good membership administration and what it consists of.
2. The board needs to establish the necessary policies for the manager's guidance.
3. One or more qualified electrification advisers (or whatever title a co-op prefers) should be employed to carry on the co-op's education and information job on power use and co-op subjects.
4. A regular newsletter or column in a state paper (or both) should go to all members telling them the things they should know as owners of the co-op.
5. In addition to well-planned annual meetings, there should be occasional district and community meetings at which members can ask questions and get information.
6. More use should be made of members in committee work, for planning and organizing meetings, for power use demonstrations, etc.
7. The regular information media available in the area, such as newspapers and radio, need to be utilized more effectively.
8. Co-op management needs to cultivate closer contacts with community leaders and groups and with other co-ops and farm organizations in the area.

Available Helpful Literature For Promoting Good Membership Administration (Not Including Power Use Items)

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|---|---|
| 1. <u>The REA Pattern.</u> | Reprint of a talk by Administrator Wickard given at the American Institute of Cooperation, 1949. |
| 2. <u>Facts for electric co-op directors.</u> | A booklet of reprints from <u>RE News</u> , including articles on the board's place in REA co-op management, REA co-op board meetings, why telling the members is important, what co-op members need to know. |
| 3. <u>A guide for members of rural electric co-ops.</u> | Basic facts in question and answer form. |

4. The rural electric co-op -- what it is. A discussion outline explaining co-op principles, the differences between an electric co-op and a power company, why members should be informed about their co-op.
5. Assuring member participation. A discussion outline explaining why member participation is essential, what it means, how it can be developed.
6. Establishing member ownership. A discussion outline explaining non-profit operation of co-ops, the capital credits plan and its advantages, how a sense of personal ownership helps to build member support for the co-op.
7. Value of co-op membership. A discussion outline explaining how informed members benefit the co-op, themselves, and the community.
8. Annual meetings. A discussion outline explaining why annual meetings are important, what makes a good meeting, and how to plan it.
9. Directors drivewheel of co-ops. A Farm Credit Administration publication of miscellaneous articles on the responsibilities of farm co-op directors. Much of it is also applicable to REA co-op directors.
10. Managing Farmers Cooperatives. An FCA bulletin explaining the respective rights and responsibilities of members, directors and manager. Largely applicable also to REA co-ops.
11. Democratic organization of REA co-op borrowers. A 4-page mimeographed memo from the Administrator to the REA staff, dated June 8, 1949.
12. Co-op Chat: An informed membership -- your co-op's greatest asset. November 25, 1947. Circular letter from Administrator Wickard to all electric co-op directors, transmitting suggestions for a member education program.
13. The educational job ahead. A summary of recommendations made by REA co-op leaders at a national conference held in Washington, December 4-7, 1950.
14. Telling the co-op story. An educational handbook for rural electric co-ops.

A discussion outlining explaining the
co-op principles, the differences
between an electric co-op and a
power company, why members should
be informed about their co-op.

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A discussion outlining explaining how
informed members benefit the co-op,
themselves, and the community.

A discussion outlining explaining why
annual meetings are important, what
makes a good meeting, and how to plan
it.

A forum for discussion and presentation
of miscellaneous articles on the various
aspects of farm co-op directors, many
of it is also applicable to RMA co-op
directors.

An RCA bulletin explaining the respective
rights and responsibilities of
members, directors and managers, largely
applicable also to RMA co-ops.

A 4-page mimeographed memo from the
Administrator to the RMA staff, dated
June 8, 1949.

November 25, 1947. Circular letter
from Administrator directed to all
electric co-op directors, transmitting
suggestions for a member education
program.

A summary of recommendations made by
RMA co-op leaders at a national con-
ference held in Washington, November
4-7, 1950.

An educational handbook for rural
electric co-ops.

What is a co-op?

Assuring member participation.

Establishing member ownership.

Value of co-op membership.

Annual meeting.

Directors' viewpoint of co-ops.

Respective Rights Responsibilities.

Democratic Organization of RMA
Co-op Directors.

Co-op Chart: An informed membership
your co-op's greatest asset.

The educational job ahead.

Telling the co-op story.